

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 95TH GENERAL ASSEMBLY

BILL NO: **HB 0859**

February 16, 2007

SPONSOR (S): Molaro

SYSTEM(S): Chicago Teachers' Pension Fund

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**FISCAL IMPACT:** According to an analysis prepared by the Fund's actuary, HB 0859 could increase total actuarial liability by \$128.6 million - \$642.9 million, depending on the increase in pensionable salary (as shown in the chart below).

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**SUBJECT MATTER:** HB 0859 amends the Chicago Teachers' Article of the Pension Code to allow salary received for overtime, summer school, and other optional service to be included in the calculation of salary for pension purposes.

**FISCAL IMPACT:** According to an analysis prepared by the Fund's actuary, the impact of HB 0859 depends on the effect the bill would have on pensionable salary, as follows:

Increase in Pensionable Salary	Increase in Accrued Liability	Increase in Annual Cost	Total Annual Cost as % of Pay
2.5%	\$128,588,000	\$9,192,000	0.51%
7.5%	\$385,768,000	\$27,578,000	1.45%
12.5%	\$642,953,000	\$45,964,000	2.31%

**COMMENTS:** Currently, employee contributions are not made to the Chicago Teachers' Pension Fund for overtime, summer school, or other optional service, and this salary is not included in the calculation of the members' final average salary for pension purposes. Effective July 1, 2007, HB 0859 requires members to make contributions for all salary paid. This would increase the amount of the retirement annuity for members of the Chicago Teachers' Pension Fund who receive compensation for optional service.

HB 0859 specifies that members who retire between July 1, 2007 and the effective date of this Act would receive a lump sum equal to the difference in the amount of pension actually received and the amount that would have been received in that period if the salary for overtime, summer school, and other optional service had been included in the

calculation of final average salary. HB 0859 does not specify a mechanism for collecting contributions from teachers who perform additional duties between July 1, 2007 and the effective date, but retire before the effective date.

HB 0859 amends the State Mandates Act to require implementation without reimbursement.

DH:dkb

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